

# PASTURE AND LIVESTOCK CONDITION, NOVEMBER 1, 2003

## Hawaii County



### **Hilo and Puna:**

Although this area received almost daily trade wind showers, rainfall totals were less than 50 percent of normal for the month of October.

This diminished rainfall amount in conjunction with the sunny, hot, and dry weather resulted in many pastures to be in only fair conditions. Consequently, some pastures were beginning to dry, especially pastures at the upper elevation of Mauna Kea. Stock water supply levels were getting low. Most of the cattle and calves were in fair to good condition.

**Ka'u:** Some beneficial rainfall during the first half of the month, helped to maintain some pastures in fair condition. However, very dry condition around South Point, kept pastures dry. Stock water supplies were adequate. Most of the cattle and calves were in fair to good condition.

**Kona:** Pasture conditions in Kona were mixed. South Kona pastures received some light showers to help maintain a minimal feed supply for the livestock. The Central Kona area received slightly better rainfall amounts to help maintain pastures in fair to good condition. North Kona pastures continued dry and were low on feed. Stock water levels were low. Cattle and calves were in fair to good condition with some supplements being fed.

**Kohala:** Dry weather continued into the month of October, especially during the second half of the month. Rainfall totals were as low as .03 inches at the Kahua Ranch rain gage to as much as 1.19 inches at the Upolu Airport rain gage. The lack of rainfall turned many pastures dry and slowed grass growth elsewhere. Most leeward pastures continued very dry and were in poor condition. An increase in web worm activity has been reported. Stock water supplies were adequate. Cattle and calves were in fair to good condition, with some supplement being fed. A few ranchers reported an increase in death losses to older cows.

**Hamakua:** Light showers at the lower elevations provided for fair pasture conditions, but drier weather during the second half of the month left most pastures drying up. Mid- to upper elevation pastures experienced very dry conditions. The hot, dry weather kept most pastures in poor condition which hindered any grass growth. Water hauling was necessary. Cattle and calves were in fair to good condition.

## Honolulu County

Rainfall totals during the month of October were generally between 20 to 70 percent of normal. Most windward pastures continued in slightly better condition than leeward pastures. Many pastures were dry and in fair to poor condition. Cattle and calves were in fair condition, with the feeding of supplements.

## Kauai County

This island was the only island in the State to benefit from rainfall activities which provided near normal to above normal rainfall totals for the month. Most pastures on the island had improved grass growth and were in fair to good condition. However, pastures in some areas were not fairing as well and were in poor condition. The extended dry period afforded weeds a foothold in some areas. Cattle and calves were in fair to good condition.

## Maui County

The east side of the island of Maui was the only sector to have received near normal rainfall amounts for October. Elsewhere, generally drier conditions prevailed, with most pastures in the county dry and in poor to fair condition. In general, windward pastures were in better condition than pastures located on the leeward side. Cooler temperatures slowed grass growth at the upper elevations. Supplements were being fed to help maintain the livestock. Cattle and calves were in fair to good condition.

**Rainfall Data Source:** National Weather Service Forecast Office.  
NWS-NOAA.

**Disclaimer:** Data from Hydronet state-wide network of automated rain gages. Gages are not certified and rainfall information is provided for informational purposes only.

## U.S. AGRICULTURAL OUTLOOK

### Feed Prices

#### **Soybean Meal Prices Increase**

Feed grains supplies continue favorable for livestock producers. The farm price of corn remains unchanged from last month and is expected to average \$1.90 to \$2.30 a bushel in 2003/04, down from \$2.32 a bushel in 2002/03. However, supplies of soybeans and soybean meal are expected to become increasingly tight as this year's production forecast was reduced modestly from the already lower October estimate. The projected price range for 48 percent soybean meal was increased to \$210 to \$240 a ton, up from \$185 to \$215 a ton in October, both up sharply from \$181.57 a ton in 2002/03.

The farm price of other hay rose slightly from September into October, but moved below a year earlier. The wheat crop planting and emergence reflect near year-earlier conditions, when grazing was very favorable. Unfortunately, dry conditions and cool weather have not been conducive to wheat pasture development for grazing in the High Plains areas of Kansas, Oklahoma, and Texas. Kansas, where drought has been the most persistent, appears to have the poorest conditions.

### Cattle/Beef

#### **Record Beef/Cattle Prices Allocate Tight Quality Beef Supplies**

Domestic and export demand for beef, particularly higher quality beef, has remained strong since 2000. Beef prices have been on a record setting path since mid-winter due to reduced cattle supplies that were further curtailed by poor winter feeding conditions. The confirmation of BSE (Bovine Spongiform Encephalopathy) in a Canadian cow on May 20 resulted in a ban on imports of beef and live cattle from Canada and a further tightening of U.S. fed beef supplies. Consequently, supplies of higher quality Choice beef have become very tight resulting in record cattle, boxed beef (wholesale), and retail prices as the limited supply is rationed in the market.

#### **Cattle Inventory Decline Continues**

The expansion phase of the present cattle cycle began in 1991 at 96.4 million head. The cyclical peak occurred in 1996 at 103.5 million head when a national drought reduced forage supplies, and more importantly, a sharp decline in grain production and

record corn prices in 1995/96 forced feeder cattle prices lower. Expansion in the cattle/beef sector is based on large supplies of forage from pasture and range and favorable grain prices in addition to favorable cattle prices. Forage conditions since 1998 have not favored herd expansion, although feed grain prices have remained moderate.

Cow and heifer inventories continue to decline in spite of record cattle prices. The cattle inventory at the beginning of 2003 had declined to 96.1 million head. Cow and heifer slaughter has remained large through October 2003 due to continued poor forage conditions in many areas and the high opportunity cost of retaining heifers. Cow and heifer slaughter will have to decline fairly sharply before the industry can begin to stabilize inventories, much less shift toward herd expansion. The earliest a shift toward expansion can begin is with the 2004 breeding season if forage supplies improve, cow slaughter declines, and larger numbers of heifers are bred. Even if this set of events occurs, beef production will not begin to expand until at least 2006 and even then from a smaller base of production, which has eroded since 1996. Additional female slaughter has supported beef supplies in recent years, but at the cost of future production.

#### **Poor Feeding Conditions Reduced Feedlot Performance in 2001**

Wet, cold weather in late 2000 and early 2001 resulted in poor feedlot conditions and the previous run at record cattle prices. Steer and heifer slaughter weights declined, reducing beef supplies and the proportion of higher quality cattle. Consequently, cattle and beef prices moved up, with retail prices for Choice beef setting a record \$3.48 a pound in June 2001. Weather improvement in late spring resulted in better feedlot performance and federally inspected steer dressed weights began a more-than-monthly seasonal rise from 765 to 767 pounds in April/May to 840 pounds in September 2001. As feedlot performance improved, weights and supplies of higher quality beef increased, and cattle/beef prices began to decline, a trend that continued through 2002.

#### **2002/2003 Poor Performance Recovery Delayed by Canadian BSE Discovery**

In late 2002-early 2003, poor weather conditions, similar to 2000/01, resulted in reduced feedlot gains and tight supplies of higher quality beef. Retail prices eclipsed the old record in February, but prices began to decline in May as weather conditions and feedlot gain improved. However, on May 20 BSE

was confirmed in a single cow in Canada, resulting in an immediate ban on imports of Canadian beef and cattle into the United States. This immediately reduced beef supplies and the potential for future production from imported fed cattle for immediate slaughter and imported feeder cattle to be placed in U.S. feedlots for slaughter in 4 to 6 months. To maintain beef production near year-earlier levels, given the already lower dressed slaughter weights, steer and heifer slaughter increased nearly 3 percent. Steer slaughter weights improved with the weather conditions in late spring through summer, but unlike 2001, dressed weights only rose from 781 pounds in April/May to 807 pounds in September. Retail prices for Choice beef rose to the low-\$3.70's a pound in August/September. The supply situation is becoming even tighter in the fall quarter.

Although Choice boxed beef (wholesale) prices increased 12 percent from August to September, much of the price increase was not passed on to consumers. The wholesale to retail price spread in September actually declined 28 cents a pound at retail, as much of the price increase was absorbed by the retailer. Boxed beef prices rose another 13 percent in October (up 58 percent from a year earlier) and more of this increase will be passed on to consumers either through higher beef prices and/or broader price increases on other retail items to spread out the impact of the wholesale price increase. A similar approach seems to be occurring in the hotel/restaurant sector. Given the tight fed cattle supply situation, retail beef prices are likely to continue on a record-setting path as the higher prices are passed on to consumers; the question is to what degree.

### **Beef Supplies To Remain Tight**

On August 8, the U.S. Department of Agriculture (USDA) initiated a permit system allowing imports of certain boneless beef products from Canadian slaughter plants limited slaughtering cattle under 30 months of age. Imports remain well below year-

earlier levels, but have been increasing as more permits are issued. USDA issued a proposed rule on October 31 to establish a new category of regions that present a minimal risk of introducing BSE into the United States via the importation of certain low-risk live ruminants and ruminant products. The proposed rule has a 60-day comment period, after which the United States Department of Agriculture will evaluate all comments before issuing a final rule.

Supplies will continue to tighten until U.S. herds expand to increase beef supplies. Additional beef and/or slaughter/feeder cattle imports from Canada are not likely to fully offset the deficit. Any movement toward retaining heifers being weaned this fall for possible breeding next spring and summer would tighten supplies even further. Although feedlot placements rose sharply this summer, feeder cattle supplies are already down. Feeder cattle supplies outside feedlots on October 1 were 2.5 percent below a year earlier. This year's calf crop is expected to be 38 million head, the smallest since 1951. Until cow slaughter begins to decline and more heifers are retained, the calf crop will continue to decline. The loss of feeder cattle imports from Canada further tightens the supply situation.

Regardless of the outcome of the proposed rule, beef supplies will remain very tight over the next couple of years. Increased domestic supplies are simply not biologically possible until 2006, unless something happens to force increased herd liquidation. Improved moisture conditions have helped to reduce the drought areas this fall. Weather conditions through spring and improved grazing conditions in 2004 will be key factors in providing the base for the beginning stages of herd expansion.

**Source:** *Livestock, Dairy, and Poultry Outlook, November 25, 2003, Economic Research Service, United States Department of Agriculture.*